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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11
: Case Nos. 00-41065
RANDALL'S ISLAND FAMILY : through 00-41196 (SMB)
GOLF CENTERS, INC., et al., :
: (Jointly Administered)
Debtors. :
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**MOTION DETERMINING THE EXTENT, VALIDITY AND PRIORITY OF THE LIEN
OF SECURED CREDITOR HUFFMAN & WHOOLEY**

Movant, Huffman & Whooley (“H&W” or “Movant”), a secured creditor of the Debtors, doing business at 1901 South Lincoln Street, Oceanside, CA 92054, through its attorneys, Wong ♦ Fleming, P.C. and Sheppard, Mullin, Richter & Hampton, LLP, respectfully represents as follows:

INTRODUCTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334.

2. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), in that it is a matter concerning the administration of the Debtors' estates; § 157(b)(2)(K), in that it seeks a determination of the validity, extent, or priority of liens; and § 157(b)(2)(O), in that it affects the liquidation of the assets of the estates. The statutory predicates applicable to the relief requested in this Motion are sections 105, 363 and 506 of the Bankruptcy Code.

FACTUAL BACKGROUND

3. On or about April 16, 1998, debtor Carlsbad Family Golf Centers, Inc. (“Borrower”) signed a certain document entitled, “Promissory Note Secured by Deed of Trust” (the “Note”).
4. Pursuant to the terms of the Note, Borrower promised to pay Huffman & Whooley \$1,700,000 in principal, plus interest and other charges in accordance with the terms of the Note.
5. The Note provides that interest shall accrue at a rate of 7% per annum. The Note also provides that amounts not paid within 8 business days of the date such payment is due shall bear interest from that due date at a rate that is 3.5% per annum above the loan rate.

6. As security for payment of all amounts due under the Note, on or about April 16, 1998, Borrower executed and delivered to H&W a document entitled “Deed of Trust with Assignment of Rents” (“Deed of Trust”).
7. True and complete copies of all documents securing this Note are in the annexed affidavit of Martin W. Huffman.
8. The Deed of Trust was duly recorded in the office of the San Diego County Recorder’s Office on April 16, 1998 as Document Number 1998-0215916.
9. Any applicable recording taxes were paid at the time of the recording of the Deed of Trust.
10. Pursuant to the Deed of Trust, Borrower mortgaged real property located at and known as the Carlsbad Family Golf Center, City of Carlsbad, County of San Diego, State of California, and designated as Assessor’s Parcel Numbers 167-030-67 and 167-030-56 in the San Diego County public records (“the Carlsbad property”).
11. Additionally, to further induce H&W to execute the Note, on April 16, 1998, Borrower executed and delivered to H&W a document entitled “Security Agreement”, pursuant to which Borrower granted to H&W a security interest in all presently owned and future acquired personal property assets located upon or about the Carlsbad property.

12. H&W filed a UCC-1 Financing Statement, perfecting its security interest in the aforesaid personal property assets, recorded as a Fixture Filing in the Official Records of San Diego County on April 16, 1998, as Document Number 1998-0215917.
13. H&W filed a UCC-1 Financing Statement, perfecting its security interest in the aforesaid personal property assets, recorded with the Secretary of State of the State of California on April 17, 1998 as file number 9811060299.
14. The Note provides that is secured by the Deed of Trust and the Security Agreement. The Deed of Trust provides in Section A, paragraph 3 that Borrower shall pay all costs incurred by H&W to protect its security interest, including attorneys' fees.
15. The Security Agreement provides in Section 4.6 that Borrower shall, at its own expense, defend any and all actions, proceedings and claims affecting the Carlsbad property, including but not limited to the validity or priority of H&W's security interest in the Carlsbad property.
16. The Security Agreement further provides in Section 11 that in the event Borrower defaults, Borrower shall reimburse H&W on demand for all costs and expenses, including attorneys' fees, incurred by H&W in connection with the enforcement of the Security Agreement, including without limitation all costs and expenses incurred in retaking, holding, handling, preparing for sale and selling or otherwise disposing of any

and all of the Carlsbad property. Those reimbursement obligations shall bear interest from the date of demand at the default interest rate set forth in the Note.

17. On or about May 20, 1998, H&W entered into a loan transaction (the "Bank Loan") with its bank, Capital Bank of North County ("Capital Bank"). In connection with the Bank Loan, H&W provided Capital Bank with a security interest in the Note and Deed of Trust and H&W executed an Assignment of Deed of Trust (the "Assignment"), for security purposes only.
18. Capital Bank serves as the collection agent for H&W on the Note and Deed of Trust.

AMOUNTS DUE UNDER THE LOAN AGREEMENT

19. Family Golf Centers, Inc., along with other affiliated Family Golf Center companies including Carlsbad Family Golf Centers, Inc., filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code on May 4, 2000.

20. As set forth in the accompanying affidavit of Martin W. Huffman, as of February 9, 2001 (the "Auction Date") Huffman & Whooley, was owed as follows:

Principal	\$1,569,304.30
Interest	\$ 56,260.67
Attorneys' Fees	\$ 11,000.00
Total:	<u>\$1,636,564.97</u>

21. Interest continues to accrue at the rate of \$457.71 per diem.

22. Additionally, H&W projects incurring additional legal fees and costs of approximately \$5,000.00 and accountants' fees of \$1,600.00 in connection with this matter and the collection of the Note.

23. 11 U.S.C. § 506(a) protects H&W's secured claim in the Carlsbad property as follows:

An allowed secured claim of a creditor secured by a lien on property in which the estate has an interest, or that is subject to setoff under section 553 of this title, is a secured claim to the extent of the value of such creditor's interest in the estate's interest

in such property, or the extent of the amount subject to setoff, as the case may be, and is an unsecured claim to the extent that the value of such creditor's interest or the amount so subject to setoff is less than the amount of such allowed claim. Such value shall be determined in light of the purpose of the valuation and of the proposed disposition or use of such property, and in conjunction with any hearing on such disposition or use or on a plan affecting such creditor's interest.

24. H&W is entitled to the full satisfaction of its valid lien that encumbers the Carlsbad property to the extent that the lien is valid under 11 U.S.C. § 506(a).
25. On February 9, 2001, at the auction held concerning properties owned by the Debtors, including the Carlsbad property, there was a successful bid on the Carlsbad property. The bid amount was \$1,675,000.
26. The Deed of Trust attached to the supporting affidavit of Martin W. Huffman represents a first priority lien upon the Carlsbad property.
27. Given the nature of the relief requested, Movant requests that this court dispense with the requirements of a memorandum of law under Local Rule 9013-1(b).

CONCLUSION

Huffman & Whooley has demonstrated through this motion that the extent and validity of any secured claim is determined pursuant to 11 U.S.C. § 506(a). Huffman & Whooley have additionally demonstrated, through this motion and the accompanying affidavits, that Huffman & Whooley holds a valid, enforceable first priority mortgage lien on the Carlsbad property.

Huffman & Whooley is therefore entitled to the benefits and protections of Section 506(a), i.e. to have the Court determine the value, validity and extent of its liens upon the Carlsbad property.

WHEREFORE, Huffman & Whooley demands:

1. That this Court confirms the value of Huffman & Whooley's lien for an amount of \$1,651,403.75.
2. That this Court confirm the validity of Huffman & Whooley's lien.
3. That this Court confirm the priority of Huffman & Whooley's lien.
4. Granting Huffman & Whooley such other and further relief as this Court may deem just, proper and equitable.

Dated: Edison, New Jersey
February 15, 2001

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